The Pernicious Fraud Called Digital Money

by Jeremy James

To the average person, the banking system comprises a collection of staid, dependable institutions which perform mundane, mechanical tasks: counting money, computing interest, dispensing cash, making loans, and facilitating payments between clients. In doing so, they are obliged to maintain a certain quantity of reserves or liquid assets on hand to ensure they can meet spikes in demand for cash. If they come under strain, they can loan to each other or borrow from the central bank.

With the steep rise in interest rates over the past year or so a lot has changed. The low-risk Treasury notes which comprised a substantial part of the reserves of most banks have fallen sharply in value, leaving the banks vulnerable to a sudden increase in deposit withdrawals. Since most of them are unable to pay interest on deposits at a rate comparable to the rate now available on the money markets, many clients are withdrawing cash from their deposit accounts.

Most banks have also made substantial loans to companies which deal in commercial real estate. The phoney Covid pandemic forced millions of employees to work from home and a large proportion continue to do so. As a result the demand for commercial office space has declined sharply. Many of these loans are under-performing and a major source of bank revenue is now under threat.

When banks find themselves in this situation, they do whatever they can to discourage customers from withdrawing large amounts of cash – see p.9. They also depend on the central bank (the Federal Reserve in the US) to loan them substantial quantities of cash at attractive rates.

An imminent credit crunch

Recent bank failures in the US, plus that of Credit Suisse in Europe, are stark evidence that the strain on liquidity throughout the banking system is immense. The media is not discussing this crisis in realistic terms but treating it instead as a temporary difficulty which can be addressed satisfactorily by making more 'easy' money available to the banks.

The problem, however, is that easy money is now making the problem worse. So much new money has been printed over the past fourteen years that any further expansion in the money supply will provoke a major loss of confidence in fiat currency, in particular the US dollar. More and more money will flow into assets which are seen to be less volatile, with the result that the liquidity needed to keep the banking system afloat will contract dangerously. Banks would stop lending to each other and the system would literally seize up.

This happened in 2008, but co-ordinated emergency intervention by central banks around the world enabled the system to hold together. The level of distress in the system today, however, is much higher than it was in 2008. The value of many financial assets has fallen, not just the value of mortgage-backed securities. Debt levels generally – national, municipal, corporate, and household – are far higher today than they were in 2008.

Public confidence in the financial system as a whole is being maintained almost entirely by the buoyancy of the stock market. If the public understood that the health of the banking system is largely independent of the stock market, they would realize that the bank failures we have seen to date are a symptom of a major underlying malaise.

Devious, deceitful and dangerous

If we were writing solely about the banking system in this paper, we could omit any discussion of the integrity and credibility of the people who run it. A large complex system should have enough internal checks and balances, enough 'science' behind it, to ensure that any potential problems are flagged in good time and effective counter-measures taken.

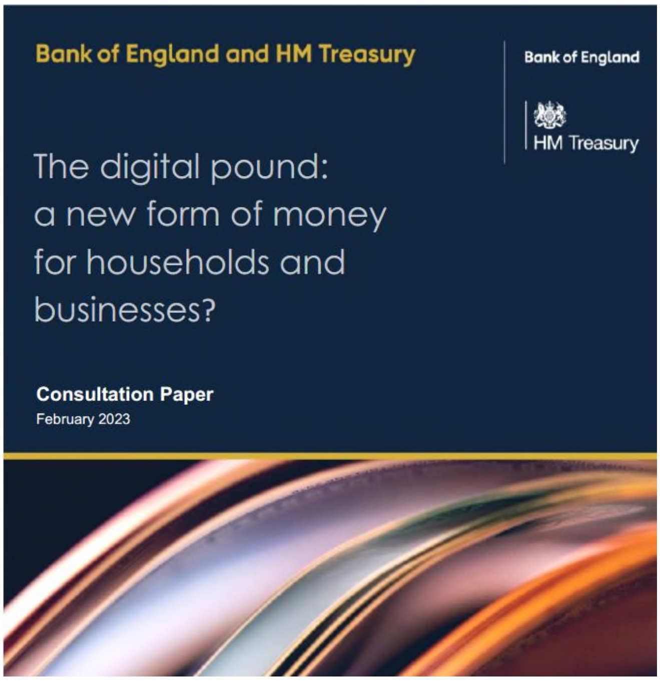
Alas the system itself is controlled by people whose integrity and credibility is low to non-existent. This has always been the case, but until now they have lacked the technology that would enable them to replace the system with one which was even more exploitative.

In our last paper on this subject (#347) we examined the broad direction in which the world financial system is heading and the impact this will have on society. Our aim in this paper is to show, using evidence supplied by the bankers themselves, that the innovations they have in mind are devious, deceitful and dangerous.

There are many passages in the Bible which point to the deliberate manipulation of the financial and monetary system by those in power to oppress the weak and vulnerable and retain absolute control over society. There is one verse in particular which, in our opinion, vividly captures the cruel mentality of this wicked cabal:

"What mean ye that ye ... grind the faces of the poor?
saith the Lord GOD of hosts."
(Isaiah 3:15)

When it comes to face-grinding, there has probably never been a device more cunning or more destructive than the system of "digital money" which the World Economic Forum and its sinister acolytes are planning to introduce across all nations.



https://www.bankofengland.co.uk/paper/2023/the-digital-pound-consultation-paper

The Bank of England and UK Treasury Report, February 2023

A major report or consultation paper, ***The digital pound: a new form of money for households and businesses?***, was published jointly by the Chancellor of the Exchequer and the Governor of the Bank of England a few months ago. It dealt with the implications of "a proposal for a retail CBDC, designed for everyday payments by households and businesses." It was presented to Parliament "by Command of His Majesty" and included the royal crest.

The report sets out the case being made by the UK authorities for the introduction of a digital currency. One would expect a report of this significance to be convincingly argued, with careful consideration being given to the benefits and risks involved. Instead it reads like a blanket endorsement of the proposed "digital pound", with scant attention being given to the real-world implications of such a momentous change. In the few places where risks are identified they are played down and treated largely as transitory difficulties which will disappear as soon as the new system has gained widespread acceptance.

Though it is endorsed by both the Chancellor of the Exchequer and the Governor of the Bank of England, the report is remarkably naïve, both in tone and in content. Again and again the real issues are side-stepped in a patronising way, or ignored entirely. Given that every developed economy depends on the continued operation of a sound banking system and a stable currency, it is shocking to see how little realism or hard analysis is evident in this document. Even by their own admission, the expected benefits are small (and possibly non-existent), while the risks have potentially serious implications for the British economy and the well-being of its citizens.

Let's consider briefly the case being made by the UK authorities. It's important to see how shallow it is and yet how easily it will deceive most of the population.

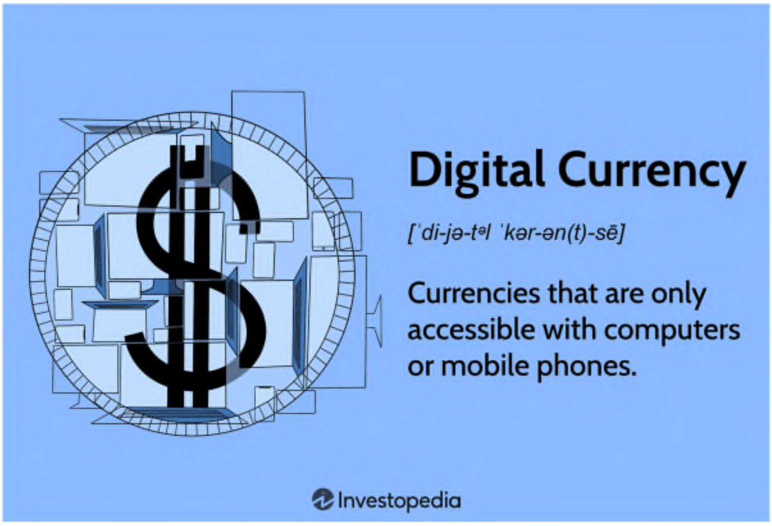
The report confuses online payments with digital money

They start by claiming that the existing system of digital payment has shown that cash is not needed for a great many transactions and that the public has effectively already switched to a cyber-based system of financial management:

> "In 2021, card payments accounted for close to 60% of UK payments and 32% of all payments were contactless. Almost a third of retail sales were made online and about 9 in 10 adults own a smartphone, which can be used to make digital payments, including in-store."

> "Around 95% of the funds held by individuals to make UK payments today are private money, held as commercial bank deposits, and typically spent electronically, such as by bank transfer or debit card. As spending has become more digital, the use of cash for payments has declined, falling from 55% of transactions to 15% over the past decade. Cash, of course, remains vital for many. Around 1.2 million UK adults do not have a bank account and around one fifth of people name cash as their preferred payment method."

What they are implying here is blatantly false. An online payment has nothing whatever to do with a digital currency. It was possible a hundred years ago to "wire" money from London to New York, but no-one – either then or now – viewed the transaction or its mechanics as a new form of money. Credit card payments today are still effected via, and denominated in, traditional money.



What exactly IS a digital pound?

The report never defines exactly what a "digital pound" actually is – and for good reason. It is not money at all but a unit of account. Nothing more. It enables participants in the market to conduct business with one another without exchanging anything of real value. A digital pound is simply a number which moves from one record to another in accordance with a set of rules.

Under the existing system the journey taken by a cash pound, when it is not exchanged hand to hand, is recorded in a similar way, but with one colossal difference: At every step in the journey participants have the option of making payment in physical form. The digital entity in question is always convertible into a physical entity of equal value. This means the “money” continues to exist outside the system. But this is not the case with a digital pound. The system must continue to track the digital entity and record its every movement if it is to continue to exist.

It may help to use an analogy. A person who enters a casino converts some of the cash in his pocket into a set of chips or gaming tokens. He then uses the chips to play at the gaming tables. If he has had a successful evening, he will go to the bureau and convert all of his winnings into cash. This will allow him to leave the casino with more cash than he had when he entered.

Imagine his response however if, one evening, the casino manager refused to cash his chips. He would be allowed to keep them and even to take them home with him, but they would have no value outside the casino – except to people like himself who liked to visit the casino occasionally. Even in those cases he would likely receive less than the full value of his chips because other players, seeing he was at a disadvantage, would expect a discount.

A casino would soon cease to operate if its regular customers discovered that the management reserved the right, for whatever reason, to occasionally refuse to convert chips into cash, or to do so only for a certain number of chips, or to fix the conversion rate in their favor. In short, a casino must always treat chips as though they were cash.

“Trust me, little fellow, I’m from the Bank of England.”

The digital pound which the Bank of England is proposing is akin to a casino chip, but with no guarantee that it will always be treated as cash. Holders of digital pounds are entirely at the mercy of the system and those who manage it. If there are problems with the system – of the “we didn’t see that coming” variety – the holders of digital pounds will risk a loss. Equally, if the managers decide to change the rules, perhaps to address a national calamity or deal with a ‘temporary’ problem in the economy, the holders of digital pounds could also suffer loss.

A blatantly false promise

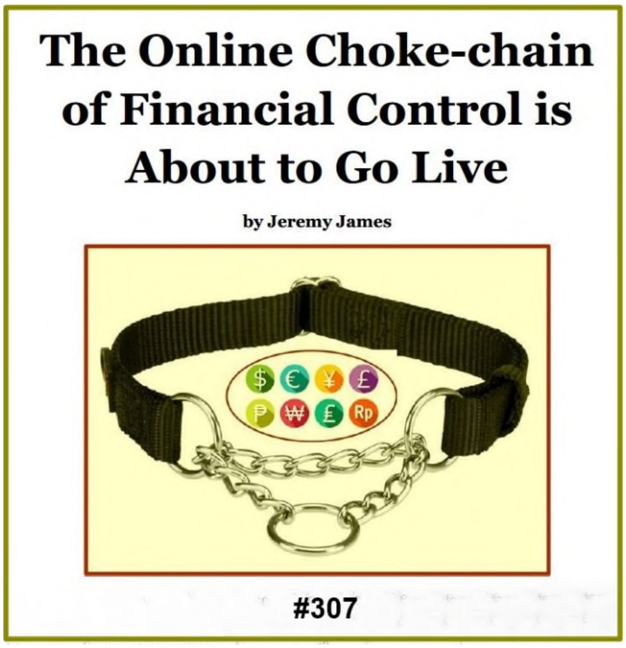
The report tries to win public confidence in the digital pound by claiming that it can be converted at any time into physical cash – “UK authorities are committed to ensuring continued access to cash” (p.10). However, it is obvious that <u>the new system is predicated on the eventual removal of cash</u>. We cannot say how long this lead-in period will be, perhaps only a few years, but we can be certain that cash will cease to have any value by a predetermined date. Anyone holding cash will be obliged to exchange it for digital pounds before it is withdrawn from the economy.

In this cashless environment, everyone will be dependant on the chips issued by the casino. The casino management could take advantage of this by opening a supermarket next door and taking payment in the form of chips only. No other supermarket could compete with the casino supermarket unless it too was prepared to accept the gaming tokens issued by the casino. Before long, the casino would be running the entire local economy.

Money is money ONLY if no-one controls it

Money is money only if no-one controls it! When we think of gold or silver as money, we can see how their intrinsic value is set by market demand (The value of both is suppressed at present in covert ways by the big banks, but their intrinsic worth can never be eliminated). Since they are universally recognized as money, they retain their intrinsic value or monetary status over time. Paper money, or fiat money which is theoretically backed by the revenue-raising power of the government, is a big step down from gold and silver because its stability and value depend on the continued operation of sound monetary policy at government level. However, it still satisfies the standard definition of money. It endures independently over time, retains its nominal value, and is recognized as money by residents of the jurisdiction in which it was issued.

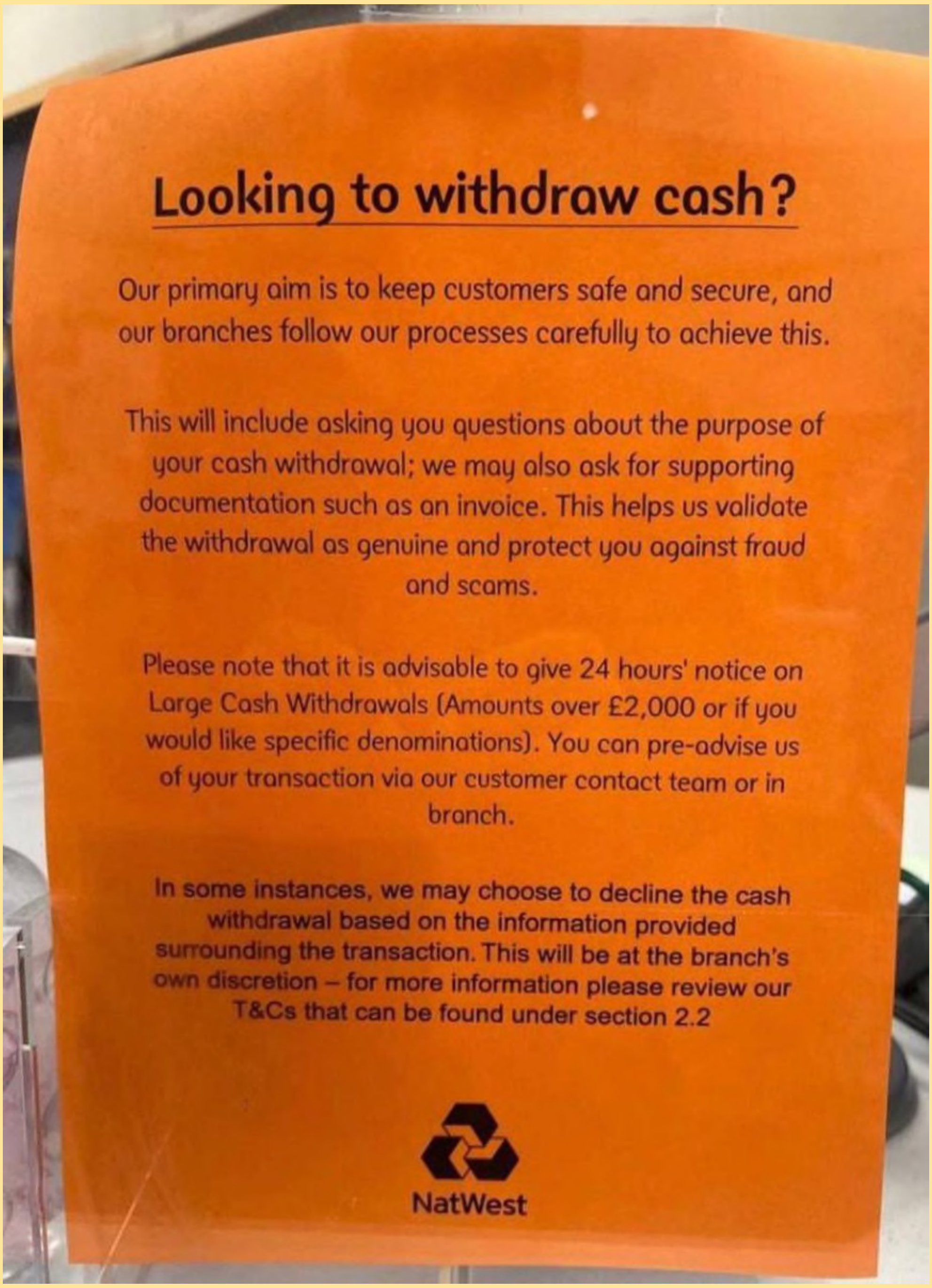
Despite appearances, the digital pound is not money. It endures only as an electronic entity and could disappear completely if the supporting platform failed. Even fiat currency, despites its drawbacks, will continue to function normally in a blackout. Fiat currency can also be used for payment purposes without restrictions or conditions. It is freely exchangeable irrespective of the goods or services being purchased, whereas a digital pound may not be. The electronic platform on which it survives can be used to limit or restrict how it is spent. For example, the system may not allow users to spend more than a certain amount of digital pounds on natural meat products or on travel during a thirty-day period in order to achieve national 'greenhouse gas' targets.



Details of what the Bank of England is proposing

Before we summarize the many defects with the proposed digital pound, we will outline in more detail what the Bank of England has in mind. Even though the report is being presented as a consultative document it is clear that key decisions regarding the new form of "money" have already been made and won't be changed:

> The Bank of England ("the Bank") would issue the digital pound. This means it would be a direct claim on the Bank, as cash is today. It would be denominated in sterling, the currency of the UK, and £10 of digital pounds would always have the same value as, and be interchangeable with, a £10 banknote. The user's holdings of digital pounds would be recorded *anonymously* on the Bank's core ledger "in order to safeguard their privacy". Users would hold their digital pounds in a "wallet" – it is envisaged that most people would access their wallet via their smartphone, but alternative options, such as a smart card, may also be provided.



A sign displayed recently at a branch of the NatWest group in the UK.

The UK banks are now telling their customers how they should use their money. Withdrawals above $2500 must have their approval! Customers will need to supply "supporting documentation" to prove that they really, really need their own money. The bank may even decide to "decline" the withdrawal request! The proposed Digital Pound system will greatly amplify this Marxist insanity.

The identity of users would only be known to their Payment Interface Provider (PIP), and neither the Government nor the Bank would have access to a user's personal data "except for law enforcement agencies under limited circumstances prescribed in law and on the same basis as currently with other digital payments and bank accounts more generally."

The Payment Interface Provider will be one of a number of private sector agencies that have been licensed to identify and verify users. It will also anonymise personal data before sharing it with the Bank. The report emphasizes that "individuals' personal details would not be known by the Government or the Bank of England."

The digital pound would be designed for everyday payments – both in-person and online – and would be a direct claim on the Bank. Like a physical banknote, and many current/checking accounts, "no interest would be paid on a digital pound." As the report says, the digital pound is "useful for everyday payments but not designed or intended for savings."

Already we can see a huge disparity between real money and the ersatz variety being touted by the Bank of England. The UK authorities admit that the digital pound is not designed or intended for savings! This proves that we are not dealing with real money but with a counterfeit version. Real money enables saving and accumulation. It acts as a store of value and offers real economic opportunities to the person who holds it. This is why interest is paid on money placed on deposit with a commercial bank. The bank can use the money in the marketplace by making it available to clients in the form of loans which promote economic growth. The depositor is therefore remunerated for his contribution to this process.

Digital money marks a radical departure from this system. It does not act as a store of value and cannot be relied upon for that purpose. It is nothing more than a payment device or, as the Bank calls it, a "settlement asset" -

> "The digital pound would be a public-private partnership designed to support innovation and competition. The Bank would provide core infrastructure and the settlement asset – the digital pound – upon which a competitive ecosystem of private sector firms would provide innovative user-facing payment services." [p.32]

The British people are being asked to replace their real money with a “settlement asset”! It beggars belief.

To add insult to injury, the report states that the Bank will have the authority to restrict the amount of digital pounds a person can hold! -

> “Unlike cash, the amount of digital pounds an individual or business could hold would be subject to some restrictions, at least during the introductory period.” [p.14]

The ability of any institution to control the system in this way is further proof that we are not speaking about money, not even a new ‘kind’ of money, but a nationwide cyber-game where a central controller issues tokens and authorises their use in accordance with a set of rules which it alone decides.

Programmability, a revolutionary innovation

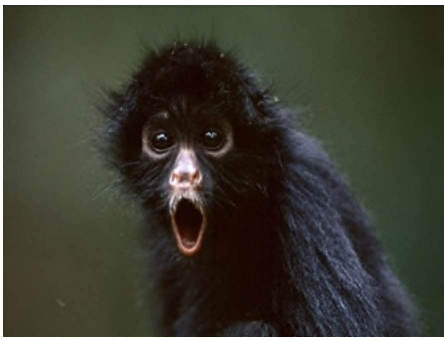
The report goes on to reveal just how much power the Bank will wield under this system. If the public understood this aspect of the Bank’s proposals it would call for the resignation of the Governor and the Chancellor of the Exchequer for attempting to perpetrate a fraud on the British people. Under the new system the Bank will have the power to decide HOW a digital pound may be spent. We have already referred to this. It is known as *programmability*, a revolutionary new idea where the state can both track all money in circulation and apply restrictions and conditions on how it may be used.

The report tries to downplay the incredible new power which the Bank – and the Government – will now possess. In one of the most egregiously cynical passages in the report, it even has the audacity to classify *programmability* as a <u>benefit</u> for the consumer! -

> “There are already examples of the direction in which the digital pound could support innovation through improved functionality for users, such as programmability. Technology is emerging that allows users to set rules to limit their spending on certain products, for example on gambling, or to automatically save a small amount of money after each purchase. This technology builds on existing, familiar applications like Direct Debit.
>
> “Programmability, delivered by Payment Interface Providers, could also enable the use of smart contracts, which carry out specific actions based on pre-defined terms and conditions. For example, a smart contract could be set up to immediately pay a supplier on signed receipt of goods, rather than having to wait for an invoice to be issued and then paid. Another type of function the digital pound could enable is micropayments, which are payments of extremely low value. Supporting micropayments could enable new business models, such as paying a small amount to read a single newspaper article, rather than having to pay for a whole subscription.” [p.32]

Later the institutional authors of the report sidestep the problem entirely by pretending that the *programmability* of the digital pound is really none of their business:

> “While it may be possible to program the digital pound so that it could only work in certain ways, this is not relevant to HM Treasury and the Bank’s policy objectives for the digital pound.” [p.79]



This is disingenuous in the extreme! The Bank will have the power to control money in ways that no-one had ever imagined and which were, from a technological standpoint, impossible until now, and yet it mischievously pretends that the exercise of this power is “not relevant” to its examination of the digital pound!

The patronising arrogance of these people is off the scale. They have no fear of God. Somehow they believe they can impose a system of financial tyranny across the nations and not be held accountable for their actions on Judgement Day:

“Woe unto them that seek deep to hide their counsel from the LORD, and their works are in the dark, and they say, Who seeth us? and who knoweth us?” (Isaiah 29:15)

The commercial banks

The new system will also jeopardise the viability of the commercial banks. The report admits that “the introduction of the digital pound would result in households and businesses switching some of their bank deposits to digital pounds. That loss of deposits for commercial banks ... depending on the speed and scale, could have implications for financial stability.” It also states that “If banks lost deposits to the digital pound, then they could become more reliant on wholesale funding. It is unclear whether this would strengthen or weaken the monetary transmission mechanism.”

When the Bank of England proposes a safe new system which it knows could have “implications for financial stability” we detect the smell of rotten fish.

Later they are more explicit about the risks involved and raise the possibility of foreign economic shocks:

> “First, it could make UK banks more reliant on wholesale funding. The availability and cost of that funding could be more susceptible to foreign economic shocks because it could be provided by foreign investors or denominated in foreign currency. Second, an increase in UK bank funding costs could increase the cost, or reduce the availability, of their lending to the UK real economy. This could prompt households and businesses to borrow more from abroad. That could include borrowing from foreign banks, foreign non-banks, or UK non-banks that might be funded by non-UK investors or hold portfolios of global assets. Reliance on such institutions for funding the UK real economy would also make it more vulnerable to foreign shocks.” [p.100]

It is remarkable that an issue of this magnitude is raised only in an Annexe to the report. Furthermore, even after it is raised, both the implications of these foreign shocks and the steps needed to address them are ignored. It's as though the authors are taking pleasure in predicting the turmoil that lies ahead and reserving the right to say "I told you so."

CONCLUSION

We will now summarize the many problems, drawbacks and dangers associated with the introduction of a digital pound or an equivalent system in another currency or jurisdiction:

1. A digital pound (DP) is not money. It is not a store of value, it does not accrue interest on deposit, and it does not remain free of discretionary interference. It is little more than a "settlement asset" as the Bank itself admits.

2. A DP is entirely dependant on the platform for its 'existence'. If the electronic platform goes down, or any critical node fails to function, the DP is useless.

3. A DP must be tracked continuously to retain its value. Its history travels with it wherever it goes. If it ever gets disconnected from its history it ceases to exist.

4. Holders of a DP have no privacy whatever. The state or a licensed agency has a complete and ever-expanding record of every transaction that the holder conducts using his or her DPs.

5. While the Bank of England claims that all of its personal data is anonymised, it retains the right to access all such data held by the PIP. In doing so it can cite concerns about fraud. The holder has no defense against a charge of fraud unless the data proves his innocence, but by that time the Bank has obtained complete access to his records.

6. The Bank or the Government or another state authority can impose restrictions in law as to how and when a DP may be used. These restrictions can be specific to just one individual, a group, or the entire community of DP holders. Under these circumstances a DP is no different from a ration card which specifies the amount of a commodity or service a holder can purchase in a given time period.

7. The state may decide to withdraw all or part of one's DP holdings at any time. The reasons for this could vary. For example the state may suspect that the holder is engaged in some form of criminal activity and decides to seize his assets. Or the state could use its far-reaching powers of taxation to deduct tax automatically from a DP account. Persons who are perceived to be guilty of a "hate crime" – on foot of legislation similar to the tyrannical Bill approved by Dáil Eireann (see our paper #349) – may be shocked to discover that a €5000 fine is deducted automatically.

8. The DP system offers no substantive benefits of any kind to the vast majority of DP holders. The report itself concedes, when describing the consultation process which the Bank conducted with various stakeholders, that this is an issue: "Some Forum members were sceptical about the current need for a retail CBDC in the UK, which they considered to already have an efficient payments system."

   The report even includes the following statement, which shows just how superfluous the proposed new system actually is: "Participants were also asked to name up to five features they would find appealing if this account were to be offered. The most mentioned were perks, rewards, discounts or a high interest rate. Some cited speed and visibility of transactions, budgeting tools and ease of use as other desirable options." It's hard to read this passage without laughing.

9. The benefits, if any, of the new system will accrue to the agencies which exploit the system to develop and market new payment-related products: "One of the digital pound's principal aims is to support payments innovation by the private sector...The digital pound is for retail payments and not for financial market activity." In other words, the public is paying for a system which will enable highly placed financial gurus to make more profits.

10. The DP system can and will be used to enforce other agendas. There is not the slightest doubt that the Government will use the system to support its phoney 'global warming' objectives. This could include the automatic deduction of a carbon tax in respect of goods and services which, based on his purchase record, the holder has consumed. So-called *non-essential* items – which governments presumed to be able to define during the Covid hoax – may attract a carbon tax, as could journeys which in aggregate exceed a government-approved maximum. The scope for coercive exploitation in this way is virtually unlimited.

11. Some critics have pointed out that, if the DP system is ever modified to pay interest to holders, it could just as easily be used – after cash is abolished – to charge negative rates of interest. Customers could be required to pay for the dubious privilege of holding digital pounds.

12. The report refers time and again to the important role the new system could play in the prevention of fraud and terrorism. It ignores that fact that anonymity is not central to these activities, but perceived legitimacy. Those who launder money, sell illegal arms, or transfer funds to terrorist organizations do so mainly through legitimate accounts set up for another purpose. International charities are often used for this, as well as international aid organizations. Another standard method is payment for goods which the payee falsely claims to have received. In short, the digital pound will make only a modest contribution to crime prevention.

13. The commercial banking system will suffer from the transfer of deposits to PIP-held digital pound accounts. In order to remain viable many of them will have to borrow from the wholesale money markets. This will increase their costs and leave them more exposed to international currency fluctuations. The cost of borrowing for domestic clients will also increase and many may decide to borrow instead from foreign banks, taking more business away from local banks. In short, the proposed new system will place great strain on commercial banks, even before cash is abolished. The eventual abolition of cash is almost certain to cause a crisis, not only in the banking system generally but among countless businesses that continue to be reliant on high-volume person-to-person transactions.

14. The Bank intends to impose an upper limit – £20,000 is suggested in the report – on the amount an individual can hold at any time in his or her DP account. Corporate clients will also be required to operate within a similar, albeit higher, ceiling. The notion that any institution can impose a limit of this kind is contrary to the most basic principles of free market economics. However it is reminiscent of the controls imposed on industry by command economies, i.e. communist regimes.

The DP system is in effect a massive experiment on the British economy and the British people. It offers nothing of real value to over 99 percent of the population and threatens to disenfranchise anyone who tries to survive outside of it. The only 'winners' will be the billionaires and their predatory friends who own a license to operate one or more of the PIP agencies.

A single cyber attack, or deliberate sabotage by a trusted insider, could bring the whole thing crashing to the ground. The pain and suffering that this would inflict on tens of millions of people would be immense:

"The wicked in his pride doth persecute the poor: let them be taken in the devices that they have imagined."
(Psalm 10:2)

The digital pound system is a face-grinding device that the wicked have imagined to control, then enslave, and finally impoverish the whole of mankind.

In their pride they really believe they can get away with this! Just when it seems to them that victory is within their grasp, Jesus Christ of Nazareth will return bodily to the earth and annihilate the lot of them:

> **"For, behold, the LORD will come with fire, and with his chariots like a whirlwind, to render his anger with fury, and his rebuke with flames of fire. For by fire and by his sword will the LORD plead with all flesh: and the slain of the LORD shall be many."**
>
> **- Isaiah 66:15-16**

Jeremy James
Ireland
May 28, 2023

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